

# FISCAL NOTE

**Bill #:** SB0167                      **Title:** Revise allocation of coal severance tax

**Primary Sponsor:** Bales, K                      **Status:** As Amended in Senate Committee

Sponsor signature	Date	Chuck Swysgood, Budget Director	Date
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<b>Fiscal Summary</b>	<b>FY 2004</b>	<b>FY 2005</b>
<b>Expenditures:</b>	<b><u>Difference</u></b>	<b><u>Difference</u></b>
Other - Coal Severance Tax Permanent Fund	\$15,341,250	\$14,578,625
 <b>Revenue:</b>		
General Fund	\$14,825,488	\$13,054,072
 <b>Net Impact on General Fund Balance:</b>	 \$14,825,488	 \$13,054,072

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|---|--|
| <input type="checkbox"/> Significant Local Gov. Impact<br><input type="checkbox"/> Included in the Executive Budget<br><input type="checkbox"/> Dedicated Revenue Form Attached | <input checked="" type="checkbox"/> Technical Concerns<br><input checked="" type="checkbox"/> Significant Long-Term Impacts<br><input type="checkbox"/> Needs to be included in HB 2 |
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## Fiscal Analysis

### ASSUMPTIONS:

1. Each quarter during fiscal years 2004 and 2005, this bill would make a transfer from the coal severance tax permanent fund to the general fund equal to half of the coal severance tax collections in the previous quarter.
2. Interest earned on the coal severance tax permanent fund is deposited in the general fund. The interest rate earned on the fund is projected to be 6.71% in fiscal 2004 and 6.79% in fiscal 2005. This bill would reduce interest earnings for the general fund by the average annual reduction in trust fund balance multiplied by the interest rate.
3. The table on the following page shows the effects of each of the transfers. Totals for fiscal 2004 are shown across the middle of the table and totals for fiscal 2005 are shown at the bottom of the table. The first column shows the dates of the transfers. The second column shows the previous quarter's coal severance tax collections, and the third column shows the transfer to the general fund based on those collections. The fourth column shows the cumulative reduction in the trust fund balance through that quarter. The fifth column shows the reduction in trust fund interest earnings for the quarter. Each quarter, the average reduction in trust fund balance is the average of the cumulative reduction through the quarter and the cumulative reduction through the previous quarter. The reduction in interest for the quarter is the average reduction in trust fund balance multiplied by the interest rate and divided by four. The sixth column is the net effect on the general fund. This is the transfer minus the reduction in interest earnings.

**Fiscal Note Request SB0167, As Amended in Senate Committee**  
(continued)

<b>SB167 Revenue Impacts</b>					
<u>Date of Transfer</u>	<u>Previous Quarter's Collections</u>	<u>Transfer from Trust to General Fund</u>	<u>Cumulative Reduction in Trust Balance</u>	<u>Reduced Interest Earnings</u>	<u>Net Effect on General Fund</u>
8/14/2003	\$ 7,734,000	\$ 3,867,000	\$ 3,867,000	\$ 32,434	\$ 3,834,566
11/14/2003	\$ 7,649,500	\$ 3,824,750	\$ 7,691,750	\$ 96,949	\$ 3,727,801
2/14/2004	\$ 7,649,500	\$ 3,824,750	\$ 11,516,500	\$ 161,109	\$ 3,663,641
5/15/2004	\$ 7,649,500	\$ 3,824,750	\$ 15,341,250	\$ 225,269	\$ 3,599,481
FY2004 total	\$ 30,682,500	\$ 15,341,250		\$ 515,762	\$ 14,825,488
8/14/2004	\$ 7,649,500	\$ 3,824,750	\$ 19,166,000	\$ 289,430	\$ 3,535,320
11/14/2004	\$ 7,169,250	\$ 3,584,625	\$ 22,750,625	\$ 351,576	\$ 3,233,049
2/14/2005	\$ 7,169,250	\$ 3,584,625	\$ 26,335,250	\$ 411,708	\$ 3,172,917
5/15/2005	\$ 7,169,250	\$ 3,584,625	\$ 29,919,875	\$ 471,840	\$ 3,112,785
FY2005 total	\$ 29,157,250	\$ 14,578,625		\$ 1,524,553	\$ 13,054,072

**FISCAL IMPACT:**

	<u>FY 2004 Difference</u>	<u>FY 2005 Difference</u>
<u>Funding of Expenditures:</u>		
Trust Fund - Coal Severance Tax Permanent Fund	\$15,341,250	\$14,578,625
<b>TOTAL</b>		

Revenues:

General Fund (01)	\$14,825,488	\$13,054,072
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Net Impact to Fund Balance (Revenue minus Funding of Expenditures):

General Fund (01)	\$14,825,488	\$13,054,072
Trust Fund - Coal Severance Tax Permanent Fund	(\$15,341,250)	(\$14,578,625)

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

No impact.

LONG-RANGE IMPACTS:

This bill would permanently reduce the balance in the coal severance tax permanent fund by \$29.920 million. This would reduce interest earnings for the general fund in all future fiscal years. If the interest rate earned by the fund averages 6.8%, the reduction in general fund revenue will average \$2.035 million.

TECHNICAL NOTES:

1. The intent of this bill is to make the first transfer in August, 2003. Section 1 calls for transfers to be made within 45 days of the end of each quarter, beginning August 15, 2003. August 15, 2003 is 46 days after the end of the quarter. For the first transfer to be made, these provisions need to be made consistent.